

1 Q. **Volume 1 (1st Revision), Chapter 5: Rates and Regulations**

2 Please provide a detailed revenue requirement analysis of Hydro’s proposed
3 January 1, 2018 interim rate increase, consistent with Schedule 4-I of Hydro’s
4 evidence. (Volume I (1st Revision), Chapter 4: Finance, Schedule 4-I, Page 1 of 1)

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7 A. Please refer to NP-NLH-097, Attachment 1 which presents Hydro’s revenue
8 requirement under proposed interim rates assuming 2018 Test Year values with no
9 RSP impacts, and proposed interim rates assuming the RSP is calculated using 2015
10 Cost of Service values (2015 TY).

Revenue Requirement Analysis
January 1, 2018 Interim Rate Increase

	<u>Test Year</u> 2018	<u>Interim Rates</u> 2018	<u>Interim Rates</u> <u>(RSP 2015 TY)</u> 2018
Revenue requirement			
Energy sales	671,574	648,996	606,083 ¹
Generation Demand Cost Recovery	1,482	1,482	1,482
Fuel Rider	-	-	-
Total revenue requirement	<u>673,056</u>	<u>650,478</u>	<u>607,565</u>
Expenses			
Operating expenses	142,377	142,377	142,377
Other Income and expense	2,081	2,081	2,081
Fuels	250,232	250,232	194,718 ²
Power Purchases	65,838	65,838	65,838
Amortization	87,885	87,885	87,885
Accretion of asset retirement obligation	362	362	362
	<u>548,775</u>	<u>548,775</u>	<u>493,261</u>
Other Adjustments:			
CIAC Revenue	(1,618)	(1,618)	(1,618)
Other revenue	(2,088)	(2,088)	(2,088)
Cost of service exclusions	(1,644)	(1,644)	(1,644)
	<u>543,425</u>	<u>543,425</u>	<u>487,911</u>
Return on rate base (before revenue deficiency)	<u>129,631</u>	<u>107,053</u>	<u>119,655</u>
2018 Revenue Deficiency		22,578	9,976 ³
Return on rate base (after revenue deficiency)	<u>129,631</u>	<u>129,631</u>	<u>129,631</u>
Interest	96,974	96,974	96,974
Average rate base	<u>2,263,109</u>	<u>2,263,109</u>	<u>2,263,109</u>
Rate of return on rate base (before revenue deficiency)	<u>5.73%</u>	<u>4.73%</u>	<u>5.29%</u>
Rate of return on rate base (after revenue deficiency)	5.73%	5.73%	5.73%
Range of Return on Rate Base (+/- 20 bps)	5.53% - 5.93%	5.53% - 5.93%	5.53% - 5.93%
Net Income (before revenue deficiency)	31,013	8,435	21,037
Net Income (after revenue deficiency)	31,013	31,013	31,013

¹ Refer to Volume I, Chapter 5, Schedule 5-III for proposed revenue under interim rates.

² RSP adjustment for fuel price, assuming 2015 Cost of Service is calculated as $((86.41-64.41)*1554.4 \text{ GWh}*1000)/616 = (55,514)$.

³ Hydro's 2018 revenue deficiency requires adjustment if test year fuel price forecast is not achieved. Calculated as the variation from the current fuel rider price of \$81.40 and 2018 Test Year cost of \$86.41 $((86.41-81.40)*1554.4 \text{ GWh}*1000)/618 = (12,602)$. Revenue deficiency of \$22,578 less adjustment of \$12,602 = \$9,976.